B3520-1-4

FORECAST 1988/1989

First Interstate Bancorp

UPDATE: FEBRUARY 1988

Pacific Northwest Edition

FIRST INTERSTATE BANCORP

BANKING AFFILIATES

Arizona
First Interstate Bank of Arizona, N.A.

California
First Interstate Bank of California
First Interstate Bank, Limited

Colorado
First Interstate Bank of Denver, N.A.
First Interstate Bank of Englewood, N.A.
First Interstate Bank of Fort Collins, N.A.

Idaho
First Interstate Bank of Idaho, N.A.

Montana
First Interstate Bank of Glacier County
First Interstate Bank of Great Falls
First Interstate Bank of Kalispell, N.A.

Nevada
First Interstate Bank of Nevada, N.A.

New Mexico
First Interstate Bank of Albuquerque
First Interstate Bank of Lea County
First Interstate Bank of Roswell
First Interstate Bank of Santa Fe, N.A.

Oklahoma
First Interstate Bank of Oklahoma, N.A.

Oregon
First Interstate Bank of Oregon, N.A.

Texas
First Interstate Bank of Texas

Utah
First Interstate Bank of Utah, N.A.

Washington
First Interstate Bank of Washington, N.A.

Wyoming
First Interstate Bank of Casper, N.A.
First Interstate Bank of Laramie, N.A.
First Interstate Bank of Riverton, N.A.

BANK LICENSEES

Colorado
First Interstate Banks of Arvada, N.A. Centennial, N.A., Golden, N.A., and Westminster, N.A.
First Interstate Bank of South Fort Collins

District of Columbia
First Interstate Bank of Washington, D.C., N.A.

Hawaii
First Interstate Bank of Hawaii

Indiana
First Interstate Bank of Northern Indiana, N.A.

Iowa
First Interstate Banks of Algona, Cresco, N.A., Des Moines, N.A., Estherville, Fort Dodge, Greenfield, Kalona, Marengo, Mason City, Sigourney, Sioux City, Spencer, N.A., and Urbandale

Louisiana
First Interstate Bank of Southern Louisiana

Montana
First Interstate Banks of Billings, N.A., Billing Heights, Colstrip, Hardin, Miles City, Missoula, N.A., and West Billings

New Mexico
First Interstate Bank of Farmington

North Dakota
First Interstate Bank of Fargo, N.A.

Wisconsin
First Interstate Bank of Wisconsin

Wyoming
First Interstate Banks of Buffalo, Gillette, Greybull, N.A., Sheridan, and Sugarland

EDGE ACT OFFICES

Miami
New York

FOREIGN LOCATIONS

Abu Dhabi
Bangkok
Beijing
Frankfurt
Hong Kong
Jakarta
Lima
London
Madrid
Manila
Mexico
Milan
Nassau
Rio de Janeiro
Seoul
Singapore
Sydney
Taipei
Tokyo
Toronto
Vancouver

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First Interstate Capital Markets, Ltd.,
First Interstate Futures Corporation
First Interstate Investment Services, Inc.
First Interstate Mortgage Company
First Interstate Public Finance Company
First Interstate Trading Company
First Interstate Venture Capital Company

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OVERVIEW

The outlook for 1988-89 involves several "good news/bad news" stories. One story is that the stock market crash did not automatically trigger the onset of recession in 1988, but the likelihood of a mild economic downturn in 1989 is still very high.

A part of the risk to the near-term outlook involves monetary policy. The good news is that market interest rates fell sharply following the plunge of equity prices last October 19. The bad news is that the Federal Reserve drained bank reserves over the subsequent two months, ending the year with reserves below their pre-crash level. That's dangerous. However, in recent weeks bank reserve and money growth have turned up again, and our forecast assumes the Fed will foster faster growth this year than last.

The U.S. dollar also fell sharply in the final weeks of 1987 -- that is good for exporting and for import-competing industries, but it is going to mean higher prices for consumers. It also contributed to Federal Reserve policy being tighter in the post-stock-market-crash period.

The drop of the dollar over the past three years has passed the baton of economic growth from the consumer sector to the manufacturing/producer sectors. An export boom is under way, and companies that previously had been hard pressed by imports are now experiencing stronger demand. The basic industries in "heartland America" are reviving, while some service industries are starting to feel the need to retrench. In the first half of the 1980s, manufacturing industries were "restructured" -- they reduced labor costs, shed excess capacity, automated, and were recapitalized. As the decade ends, the resurgence of manufacturing is being accompanied by slower growth of consumer spending and earnings pressures on parts of the retail and service sectors of the economy.

The good-news side of the decline of consumer spending is that the personal saving rate is rising. Earlier, the dark cloud over the strong consumer spending was that the saving rate was plunging to historically low levels and consumer indebtedness was rising to new records. That could not continue. A higher saving rate and reduced consumer indebtedness will help prolong the expansion.

Employment in manufacturing industries rose last year for the first time since 1984, and further gains are expected in 1988. Overall, employment growth this year will be less than last, but the unemployment rate will move slightly lower before turning up during the mild slump we expect in 1989. The share of the adult population employed has been moving to new record levels for over two years, which is very desirable. The bad news is that labor costs are beginning to rise more rapidly.

Interest rates are not expected to continue their decline since the stock market crash, but the rise forecast through year-end is only about one half to three quarters percentage point. In early 1989, we expect rates to rise more rapidly as the Fed tilts toward restraint in the face of higher inflation. As this year ends we forecast the consumer price index to be rising at more than a 5% rate.

Housing construction and automobile sales in 1988 are expected to be somewhat below 1987 levels, but this weakness will be offset by higher spending by businesses for new plant and equipment. Also, a substantial decline of the U.S. trade deficit and further growth of business inventories will produce a growth of real GNP of almost 3% by year end, even though consumer spending will rise by less than 2%.

Good news dominated in the Pacific Northwest in 1987. In general, the economies of this region enjoyed a modest boom and are expected to continue making gains in 1988, although at rates somewhat below those experienced in 1987. The entire region is benefiting from a lower dollar, higher commodity prices, increased international trade, and a substantial increase in aerospace employment. Overall the region is expected to continue performing relatively well through 1989, even if the national economy experiences a significant slowdown.

Overall, we continue to come down on the good-news side, in that we do not expect a recession in the U.S. or world economies during 1988, contrary to what many forecasters were saying in late 1987. By next year, however, the problems created by several years of unsteady fiscal and monetary policies may yet lead to bad news.

--February 16, 1988

CONTENTS

The U.S. Economy	*2*
The Pacific Northwest & First Interstate Territory	*5*
U.S. Credit Markets and Financial Institutions	*9*
Outlook for the International Economy	*10*
Major Economic Indicators Table	*Inside Back Cover*

THE U.S. ECONOMY

Changes Since October

Since we published our *Forecast* in October, three major events have occurred that could potentially affect the course of the economy.

(1) The stock market crash of October 19, 1987, provoked widespread concerns of a collapse in consumer spending and cancellation of investment plans by business. The primary risks to the economy from the market's decline stemmed from the effect on wealth and the impact on general confidence. It had been our view that, just as consumers had not adjusted sharply upward their spending to the stock market peaks of August, they would not cut outlays drastically in response to the market's downturn. In terms of the impact on wealth, with some recovery after October, the overall stock market ended 1987 at a level close to that at the beginning of the year. Consumer confidence has also improved from its lows of October. As a result, retailers experienced at least a moderately good Christmas season, and few firms made major changes in capital spending budgets for 1988.

(2) Since publication of our *Forecast*, Congress and the President have reached a compromise on the federal budget for fiscal years 1988 and 1989. A sizable component of the deficit reduction, however, represents more of an accounting artifice than an attack on the underlying fiscal problem. Total federal spending is still likely to be up by more than 6% in fiscal 1988 compared to the prior year. More actual deficit reduction without tax increases would have been achieved by allowing the automatic spending cuts of Gramm-Rudman-Hollings to have been implemented. On balance, although the deficits for the next two years are likely to be less than we previously expected, the fiscal problem is far from solved.

(3) A major risk, which increased after we issued our *Forecast*, came from monetary policy. Efforts to subdue inflationary expectations in 1987 and to support the dollar through intervention in foreign-exchange markets and higher interest-rate targets sharply curtailed the growth of bank reserves and the money supply. In October, reserves were injected liberally in response to the stock market plunge, but that easing was reversed in November and December. At year-end, we were concerned that the Federal Reserve would remain too tight for too long.

Policy Assumptions

It is our present assumption that the Federal Reserve will allow a sufficient expansion of the money supply to support economic growth in 1988. A faster growth of reserves could be accomplished through a pickup in the demand for reserves at recent interest-rate levels or through selection of a lower interest-rate target. Strengthening of the dollar's value on foreign-exchange markets would permit a lower interest-rate target. Alternatively, even if the dollar remains under downward pressure as we expect, overriding concerns about the domestic economy might cause the Federal Reserve to reduce its target range for the federal funds rate. Evidence in January showed a strong pickup in reserve and money growth, apparently mainly from an increase in the demand for bank reserves.

We assume monetary-base growth this year of 7.4% (fourth quarter to fourth quarter), which should be adequate to support economic growth in 1988. Our forecast that the increase in inflation will prompt a significant tightening in monetary policy by the end of this year or early in 1989 remains unchanged.

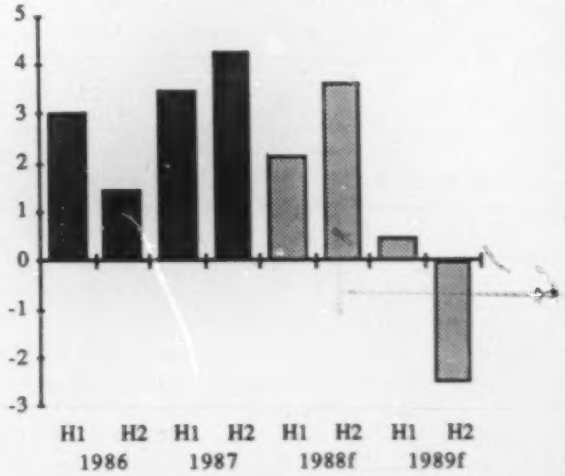
No significant initiatives with respect to the fiscal budget are expected in the face of a presidential election. The Reagan Administration will attempt to hold Congress to the terms of the budget compromise agreed to last year. We expect the deficit for fiscal 1988 to be about $160 billion, higher than the $148 billion of fiscal 1987. For fiscal 1989, slower economic growth could push the deficit up to about $180 billion, in contrast to the $136 billion targeted by the Administration and Congress.

Escaping a 1988 Recession

Economic expansion continued for a fifth year in 1987, with real GNP up a strong 3.8% (fourth quarter to fourth quarter). Assuming sufficient support by the Federal Reserve, we are maintaining

Real GNP

(Average half-year growth rates, annualized)



our forecast of moderate growth, with real GNP up about 3% in 1988. In reaction to the inventory buildup at the end of 1987 and slower monetary growth last year, the economy will grow at a slower pace in the first half of this year than the second.

Major changes in the sources of strength and weakness in the U.S. economy will continue in 1988. For the second year in a row, U.S. production, as measured by real GNP, will grow faster than spending by U.S. consumers, business firms, and government agencies.

Consumer spending and construction were the lead forces in the earlier stages of the expansion, but they are now weakening. Little real growth is projected for federal defense and nondefense spending in the current year, while the increase in state and local government outlays is likely to be moderate.

Our current view is that auto sales will total about 10.0 million units this year, down from 10.3 million in 1987. Housing starts are expected to decline to about 1.54 million units, compared with 1.62 million in 1987. High vacancy rates and loss of tax advantages will again place most of the reduction in the multi-family sector.

The primary engines of growth in 1988 will be exports, investment in equipment by business, and the ability of domestic producers to win a larger share of the U.S. market. Export business is booming for a wide range of American companies, and many may step up capital outlays to modernize or expand facilities. The higher cost of imports is also driving U.S. buyers to domestic suppliers.

The U.S. economy should support the creation of another 2.7 million jobs in 1988, following last year's addition of 2.9 million. This increase would bring the total number of jobs created since the expansion began in 1982 to 17.3 million. The unemployment rate is also expected to bottom out at about 5.5% during the second half of 1988.

We continue to forecast a recession beginning in 1989 as a result of a significant tightening in monetary policy. Such a downturn would probably be of mild to moderate intensity, lasting for about a year.

Inflation--Direction Still Up

Inflation, in terms of the fourth-quarter-to-fourth-quarter increase in consumer prices, moved back up to 4.4% in 1987 after the plunge in energy prices depressed the rate to only 1.3% in 1986. Although last year's tightening in monetary policy may have slowed the increase in inflation, we still expect to see an uptrend over the course of 1988. Our current forecast is for consumer prices at the end of this year to be about 5.0% above the year-end level of 1987. This is down from the 5.5% inflation rate we had projected in October.

The rise in inflation will reflect principally the interaction of three economic forces: continued increases in government debt and its monetization; rapid money growth in 1985 and 1986; and the decline of the dollar on foreign exchange markets. So long as excess capacity existed in production facilities in the United States and abroad, while labor conditions placed little pressure on wages, inflation remained relatively low. It should be noted, however, that even under these conditions inflation during the past few years has held at about 4%, except for 1986 with the sharp break in energy costs.

U.S. industries entered 1988 operating at about 82% of capacity, a level close to that which typically results in more rapid price increases. Although foreign producers have absorbed significant amounts of the dollar's depreciation through lower profit margins, import prices are likely to rise about 10% in 1988. *Full employment* in the United States, defined as that level at which more significant pressure on wages begins, is now probably about 5.3%. Our forecast is for the unemployment rate to approach this level as it falls to 5.5%. An ending of the recent trend of employee "give-backs" with the upswing in the manufacturing sector will also contribute to upward wage pressure.

With respect to oil prices, our assumption of October remains that the price of the West Texas Intermediate benchmark will average between $16.50 and $18.50 per barrel in the 1988-89 period. For at least 1988, the lower end of that range now seems the more likely.

It currently appears that the Federal Reserve's "threshold" for tolerating inflation is somewhere between 5% and 6%. As monthly consumer-price increases begin to move in that range late in 1988, the conditions can be expected to be present for Federal Reserve tightening.

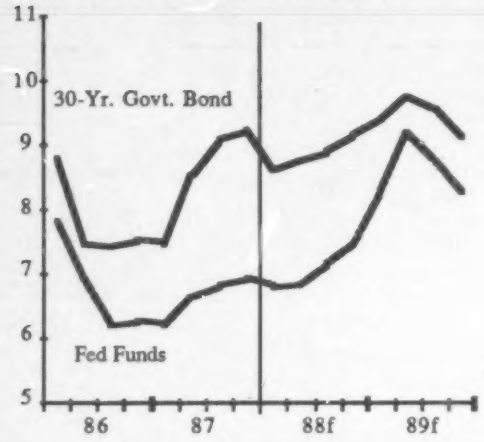
Interest Rates--Flat or Lower, Then Up

The federal funds rate is likely to hold at about 6.75% in the first quarter of 1988, as opposed to over 7% last fall. Indications of slower economic growth in the first part of the year have caused a reduction in other short-term interest rates from their levels of the latter part of 1987.

Short-term interest rates are likely to remain relatively flat through the second quarter of 1988. Unless massive selling of dollars on foreign-exchange markets were to resume, moderate economic growth and inflation will place little pressure on interest rates.

In the second half of 1988, higher economic growth, more inflation, and rising credit demands

Short and Long-Term Interest Rates
(Percent, quarterly averages)



are expected to push market interest rates moderately upward. In the pre-election period, the Federal Reserve will probably want to maintain a "low profile" by resisting either upward or downward pressure on interest rates. Attempts to hold interest rates below market levels will produce more rapid growth of the monetary aggregates.

Our expectation is that short-term interest rates will rise about three fourths of a percentage point between the first and fourth quarters of 1988. Then, a shift in Federal Reserve policy late this year will push up short-term interest rates between 150 and 175 basis points before the peak is reached in the spring of 1989. Short-term interest rates then would fall sharply in the second half of next year.

The yield curve steepened significantly in 1987, representing uncertainty over the future rate of inflation and interest rates in view of questions about the federal budget deficit, the value of the dollar, and the ability of the United States to attract foreign capital. If foreign investors became convinced that the dollar had bottomed out, the inflow of foreign funds could drive long-term rates down significantly. With uncertainty remaining, the yield on 30-year government bonds is expected to average about 8.6% in the first quarter of 1988. Some increase in inflation as the year proceeds is expected to cause a rise of about one half of a percentage point to 9.15% by year-end. These long-term rates would then climb to about 9.75% in the spring of 1989, along with the upswing in short-term rates.

Interest rates on 30-year, fixed-rate mortgages are also expected to rise moderately from their low point of the first quarter of 1988. Our current forecast is for an average of 10.7% in the fourth quarter of 1988, compared with an estimated 10.1% in the first quarter. We expect mortgage rates to peak at about 11.5% in the spring of 1989 before a decline resumes in the second half of the year.

FORECAST OF INTEREST RATES

	1987				1988				1989			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
	Actual				Forecast							
Short-Term												
Fed Funds (Overnight)	6.22	6.65	6.84	6.92	6.80	6.85	7.15	7.45	8.25	9.20	8.75	8.25
Treasury Bills (3 month)(1)	5.54	5.66	6.04	5.86	5.75	5.85	6.20	6.50	7.20	8.30	7.75	7.40
CDs (3 month, Secondary)	6.05	6.82	6.94	7.64	6.80	6.95	7.30	7.60	8.25	9.25	8.70	8.25
Eurodollar (3 month)	6.26	7.03	7.11	7.84	6.95	7.10	7.44	7.74	8.38	9.38	8.83	8.38
Prime Rate	7.50	8.05	8.40	8.87	8.50	8.50	8.75	9.00	9.65	10.50	10.40	9.80
Long-Term												
U.S. Government Bonds (30 yrs)(2)	7.49	8.53	9.07	9.23	8.60	8.75	8.90	9.15	9.35	9.75	9.55	9.10
Corporate Aaa (Moody's)	8.37	9.17	9.76	10.21	9.80	9.90	10.05	10.20	10.40	10.70	10.40	9.90
Mortgage Rate (Fixed)(3)	9.14	10.32	10.50	10.85	10.13	10.30	10.50	10.70	11.00	11.50	11.25	10.80

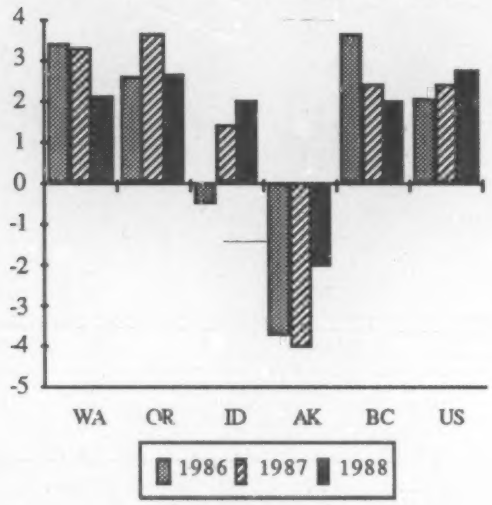
(1) Bank discount basis.
(2) Yields adjusted to constant maturities.
(3) Contract rates on first mortgages, conventional market.

THE PACIFIC NORTHWEST

1987 was a good year in the Pacific Northwest. For the purpose of this forecast, the Pacific Northwest is defined as Washington, Oregon, Idaho, Alaska, and British Columbia. The economies of this region (except for Alaska) enjoyed a modest boom in 1987 and, as illustrated in the accompanying chart, are expected to continue making gains in 1988,

Northwest Nonfarm Employment

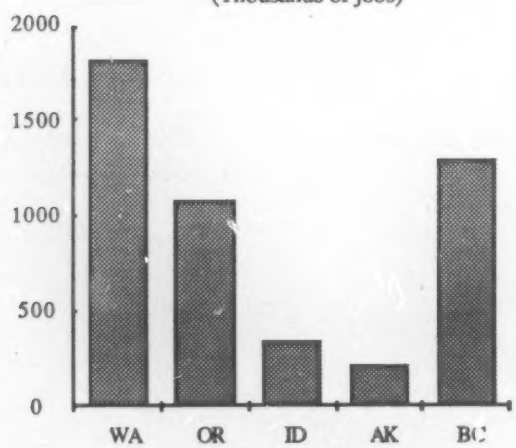
(Percent change from prior year)



although at rates somewhat below those experienced in 1987. The entire region is benefiting from a lower

1987 Northwest Nonfarm Employment

(Thousands of jobs)



dollar, higher commodity prices, increased international trade, and a substantial increase in aerospace employment.

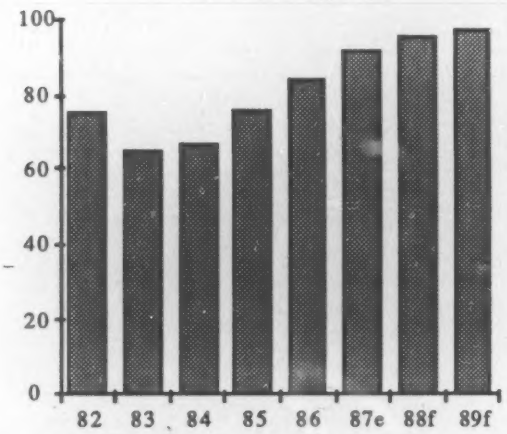
The greatest gains occurred west of the Cascades. Washington and Oregon enjoyed employment gains of over 3%, while nonfarm employment in Idaho grew 1.5%. Within Oregon and Washington, too, the largest growth has occurred in the west. The Puget Sound region contributed to Washington's gains, while the Willamette Valley added the largest part to Oregon's growth. The western regions have benefited from strong manufacturing in the aerospace, high-technology equipment, and lumber industries, while the eastern regions are more dependent on agriculture and mineral extraction.

Sectoral Performance

Manufacturing. As the largest state in the region, Washington is heavily weighted in the region's overall economic performance. Consequently, growth in Washington's major industry, aerospace, is a major determinant of regional growth. The Boeing company enjoyed a record $19.3 billion worth of orders in 1987 and presently has a backlog of about five years of production. This performance has substantially contributed to growth, especially in the Puget Sound area, where employment at Boeing alone has risen significantly over the last few years.

Washington Aerospace Employment

(Thousands of jobs)



Manufacturing in the region will continue to grow. The nationwide growth in capital-goods manufacturing will provide a shot in the arm to a number of businesses, both high- and low-tech. The high-technology firms in the Pacific Northwest are primarily capital-goods manufacturers. Chip makers will benefit from the drop in the dollar, too. Other high-tech companies, which have adopted strategies based on "outsourcing" materials, may not benefit from the change in exchange rates. These companies design and engineer products here but contract with overseas plants to manufacture the goods. Such companies will have difficulty competing with enterprises manufacturing in this country.

Electrical and nonelectrical machinery constitutes Idaho's second largest durable-manufacturing employer. This sector has been growing steadily since 1986, primarily due to improved U.S. microcomputer and peripheral sales, the lower value of the dollar, and antidumping sanctions against the Japanese. Strong business-equipment investment in 1988 is expected to lead to further growth in this sector. Software houses, concentrated in the Puget Sound area but also sprinkled throughout the region, have increased employment and are likely to stay on the upswing.

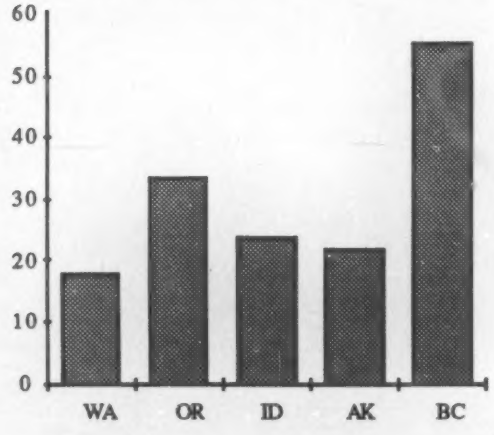
Other manufacturing businesses have shown improvement, including commercial printing. In both Oregon and Washington, employment is up over 5% in this industry, with employment in Idaho up nearly 9%. The plastics industry is generally strong throughout the region, though one major plant is scheduled to close in Idaho this year.

Lumber. In addition to aerospace, a second major industry in this region is, of course, wood and wood products. Production of softwood lumber was at record levels in 1987, stimulated by high prices and strong demand from domestic as well as foreign buyers. Plywood production showed increases, though they were not as large as those for dimensional lumber. The paper industry had a very good year, with prices high and many mills running at full capacity.

The impact of this industry varies considerably among the economies of the region, with Oregon and British Columbia having very high levels of employment in this sector, both in absolute numbers and as a percent of total employment.

1987 Employment In Lumber, Paper and Other Wood Products

(% of manufacturing employment)

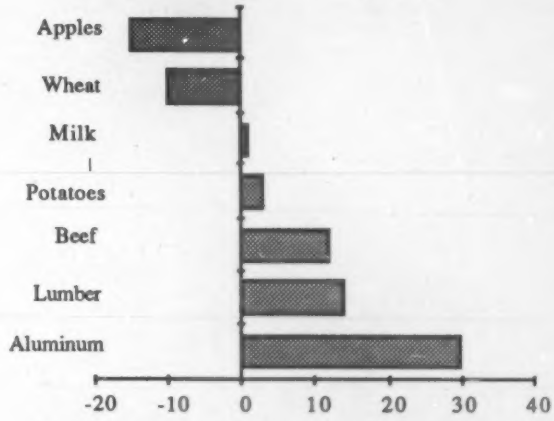


The continued low international value of the dollar, combined with the need and increasing willingness of the Japanese to substantially expand their housing stock, is expected to lead to further growth in the wood-products sectors during 1988. Production is currently running at close to 100% of capacity in many plants that serve export markets, despite significant recent expansions in production capability. In direct contrast, those plants producing chiefly for domestic consumption are operating at more normal levels due to declines in housing starts. Growth in the domestic market during the next few years will come primarily from remodeling of existing homes.

Over the longer term, the number of household formations in the United States is expected to decline, and with it the number of housing starts. These trends will challenge the industry to find greater export markets, as well as new uses for its products.

1987 Major Commodity Prices

(Percent change from prior year)

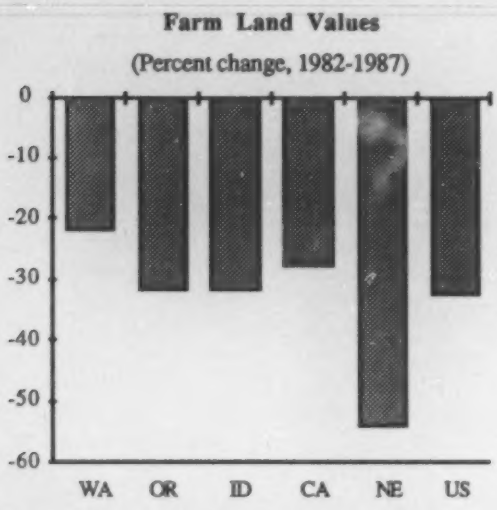


Agriculture. Markets for agricultural commodities and minerals represent a third major factor in the local economy. These sectors have experienced generally higher prices over the past year. The apple market suffered from record production levels in 1987 and faces an increasing risk of over-capacity, although Washington is already the nation's leading producer of apples. In addition, the Northwest grows 90% of the country's white wheat, 90% of which is exported. This sector is continuing to work down surplus inventories. Export volumes are expected to be up about 8% this year, especially if India and Bangladesh become significant buyers due to a poor rice crop in 1987. The price of white wheat is expected to stabilize or rise slightly in 1988, unless production exceeds current expectations.

Overall, the outlook for agriculture is the most optimistic it has been in the last four years. The area's farms are in better health now as old debt is paid off. The rate of farm failures is down, although some farms still face the hard edge of insolvency.

Agricultural land prices in the region are expected to fall perhaps two percent further in 1988, but it is widely agreed that they are reaching bottom. Since 1982, farmland prices in the Northwest have not decreased as much as farm land prices in other, less

diversified agricultural regions, including some Midwestern states.



Minerals. Mining and metals production had a much improved year in 1987, and higher metal prices are expected to stimulate mining employment in 1988. The region's major mining sectors are located in Idaho. Although mining employment in Idaho declined in 1987, the sector is expected to show increased employment in 1988. Increases in silver prices, combined with new-cost control agreements, have led Sunshine mining company to announce the reopening of the nation's largest silver mine on its Kellogg site in Idaho. This is expected to result in the recall of about 400 workers. A new Bonneville Power Administration plan to cut its electricity costs by up to 25% should improve the outlook for the Cyrus-Thompson Creek molybdenum mine near Challis in Idaho. Increased prices for aluminum, combined with cost controls from electricity rates and labor neg-otiations, have brought two entire plants back on-line and enabled others to bring additional "potlines" back into production.

Trade. International trade in general is a major item for this region of the country. About 80% of the goods brought into Northwest ports continue eastward to the Midwest, due to the comparatively small market represented by the local population. There is a strong trend for shipments from throughout the Pacific Rim to enter the United States through the ports at either Los Angeles/Long Beach or Seattle/Tacoma. These two centers are well equipped to send con-tainers eastward on modern double-stacked train cars. In contrast, the ports of San Francisco/Oakland and Vancouver, B.C., have problems moving such trains through the relatively small tunnels and bridges involved with a trip to the Midwest.

As a result, trade volumes through Oregon and Washington continue to grow. For example, the total dollar value of imports through the Seattle Customs District was up 12% in 1987, while exports rose 6%. In terms of physical measures, such as the number of containers and 'breakbulk' tonnage, the Port of Tacoma last year experienced a 9% increase in imports and an 8% rise in exports. Several notable export items illustrate trends in the local wood-products industry: tons of lumber exported increased 27% last year, while exports of wood chips were up 52%.

Tourism. Tourism is the key to economic development strategies in many areas of the Pacific Northwest. Expo '86 was certainly a success, not only in bringing visitors in but in showing the states the potential for tourism. The lower dollar should keep Americans in their own country at vacation time, and low gasoline prices will put them on the road. Slower growth in consumer spending, however, may cause cutbacks in total vacations.

Growth Forecast

Overall, the region is expected to continue performing relatively well, even if the national economy experiences a significant slowdown. Helped substantially by the Boeing expansion, Washington recovered from the 1982 recession in 1984. Washington will benefit most directly from the lower dollar and increases in international trade. The backlog at Boeing and the renewed strength of the traditional resource industries will continue to help the state further diversify into biotechnology, computer software, and a wide variety of electronics development and production activity.

Oregon finally recovered from the recession of the early 1980s in 1986. In 1988, Oregon will continue to expand on the strength of its lumber sector and the slow revival of its substantial electronics-manufacturing capability.

The recent improvements in the region's basic sectors have not been reflected in dramatic increases in employment for the state of Idaho, although the trends are favorable. Idaho will grow more slowly than the other states in the region, but will continue to benefit from generally higher prices for metals and timber.

British Columbia expects to enjoy another good year in 1988, buoyed by continued strength in its crucial wood-products industry. In Alaska, employment will continue to contract in 1988, but at a slower pace than in the two previous years. The state's seafood, timber, mining, and tourism industries are performing quite well.

Washington, Oregon and Idaho comprise part of the First Interstate Territory. Nonfarm employment in the territory is estimated to have increased 1.8% in 1987 and is forecast to increase 2.1% in 1988. Employment and income growth for Washington, Oregon, Idaho and other states comprising the territory are shown in the accompanying table.

Nonfarm Employment in First Interstate Territory

	1986		Estimate 1987		Forecast 1988		Forecast 1989	
	Thousands	% Change	Thousands	% Change	Thousands	% Change	Thousands	% Change
Arizona	1,341	4.9	1,382	3.0	1,426	3.2	1,490	4.5
California	11,280	2.7	11,709	3.8	12,060	3.0	12,229	1.4
Colorado	1,402	-1.2	1,406	0.3	1,423	1.2	1,443	1.4
D.C.	641	1.5	649	1.4	660	1.6	668	1.2
Hawaii	437	2.7	452	3.3	464	2.8	473	1.9
Idaho	334	-0.5	339	1.5	346	2.0	350	1.3
Indiana	2,228	2.7	2,307	3.6	2,397	3.9	2,457	2.5
Iowa	1,077	0.3	1,105	2.6	1,135	2.7	1,149	1.2
Louisiana	1,524	-4.2	1,492	-2.1	1,492	0.0	1,501	0.6
Montana	276	-1.1	276	0.0	277	0.5	280	1.0
Nevada	469	5.0	499	6.5	534	6.9	565	5.9
New Mexico	528	1.4	535	1.3	545	2.0	553	1.3
North Dakota	249	-1.1	251	0.8	254	1.2	255	0.5
Oklahoma	1,139	-2.2	1,128	-1.0	1,132	0.3	1,141	0.8
Oregon	1,057	2.6	1,096	3.7	1,125	2.7	1,136	1.0
Texas	6,581	-1.2	6,498	-1.3	6,537	0.6	6,602	1.0
Utah	634	1.6	642	1.1	651	1.5	658	1.0
Washington	1,770	3.5	1,829	3.3	1,869	2.2	1,919	2.7
Wisconsin	2,015	1.6	2,059	2.2	2,115	2.7	2,148	1.6
Wyoming	199	-3.8	191	-4.0	189	-1.0	189	0.0
F.I. Territory	35,181	1.1	35,845	1.9	36,632	2.2	37,207	1.6
U.S.	99,610	2.1	102,105	2.5	104,950	2.8	106,675	1.6

Personal Income in First Interstate Territory

	1986		Estimate 1987		Forecast 1988		Forecast 1989	
	Millions	% Change	Millions	% Change	Millions	% Change	Millions	% Change
Arizona	$44,719	9.3	$47,849	7.0	$51,437	7.5	$55,810	8.5
California	456,098	7.9	491,217	7.7	531,988	8.3	568,695	6.9
Colorado	49,770	4.8	51,462	3.4	54,036	5.0	56,737	5.0
D.C.	12,142	6.1	12,688	4.5	13,399	5.6	14,203	6.0
Hawaii	15,814	6.8	16,921	7.0	18,190	7.5	19,464	7.0
Idaho	11,251	3.2	11,689	3.9	12,262	4.9	12,961	5.7
Indiana	72,294	5.7	76,632	6.0	82,456	7.6	88,970	7.9
Iowa	38,053	5.6	40,641	6.8	43,485	7.0	46,182	6.2
Louisiana	50,382	-0.3	50,382	0.0	50,886	1.0	53,176	4.5
Montana	9,666	6.2	10,053	4.0	10,556	5.0	11,136	5.5
Nevada	14,870	7.9	16,163	8.7	17,764	9.9	19,451	9.5
New Mexico	16,894	3.9	17,401	3.0	18,097	4.0	19,001	5.0
North Dakota	8,471	3.6	8,979	6.0	9,508	5.9	10,003	5.2
Oklahoma	40,595	0.9	41,001	1.0	42,231	3.0	44,258	4.8
Oregon	35,955	5.5	38,220	6.3	40,704	6.5	43,146	6.0
Texas	224,877	1.7	227,800	1.3	234,862	3.1	246,605	5.0
Utah	18,288	4.3	18,654	2.0	19,400	4.0	20,467	5.5
Washington	66,978	7.6	70,461	5.2	74,689	6.0	79,544	6.5
Wisconsin	66,549	6.0	70,209	5.5	74,773	6.5	79,484	6.3
Wyoming	6,485	-1.7	6,225	-4.0	6,163	-1.0	6,163	0.0
F.I. Territory	1,260,150	5.4	1,324,648	5.1	1,406,886	6.2	1,495,456	6.3
U.S.	3,529,522	6.3	3,737,764	5.9	4,010,620	7.3	4,263,289	6.3

U.S. CREDIT MARKETS AND FINANCIAL INSTITUTIONS

Business Financing -- Affected by the Stock Market Crash

Virtually all segments of the nation's financial system were affected by the October 19, 1987, stock market crash. Businesses increased their flotation of long-term bonds and borrowing from banks, while constraining their equity financing and commercial paper issuance. The shift to bonds and bank credit partly reflects the sharp decline of long-term interest rates and the 75 basis-point reduction in the prime rate following the crash. The shift away from equities resulted from the relative unattractiveness of lower share prices for most issues, while the investor's heightened "flight-to-safety" reaction to the market crash constrained companies from borrowing in the commercial paper market.

Commercial and industrial (C&I) loans outstanding at the nation's largest banks declined sharply during the first nine months of 1987, but increased in the final three months. Year-end 1987 outstandings show a modest increase of 1.4% over year-end 1986 totals, close to our October 1987 estimate. We expect the corporate financing gap (capital expenditures minus internal funds) to widen in 1988 and 1989, stimulating strong demand for C&I loans. Increases of 5.5% and 7.0% are projected for 1988 and 1989, respectively. The relatively strong economic growth projected for 1988 will be accompanied by fairly strong capital spending, which will exceed corporate cash flow. Weakening profits will increase financing requirements in 1989.

Commercial paper issued by non-financial companies exhibited modest growth during 1987, and outstandings actually declined after the market crash. For 1987 as a whole, this source of business financing increased 7.3%, a slightly larger increase than we projected earlier. We look for growth in 1988 of over 6%, close to the 1987 increase, as corporations tap this source to meet short-term needs. In 1989, however, as the economy softens and concerns over credit quality rise, we foresee a decline in the volume of commercial paper outstanding.

In 1987, the debt-to-equity ratio (book value of bonds as a percent of the market value of equity) of all companies listed on the New York Stock Exchange increased dramatically. This ratio was 74.5% at the end of 1987, up from the prior year-end's 62.7%. The sharp increase in leverage by the largest U.S. corporations resulted from the combination of a relatively small increase of over $1 billion in the market value of stock, and conversely, a relatively large increase of over $271 billion in the book value of bonds in 1987. As the equity market stabilizes at somewhat higher levels during 1988 and interest rates on bonds move up in the latter part of the year, the debt-to-equity ratio should decline.

Financial Reform -- A Few Small Steps Likely

Financial reform efforts in 1988 will be centered on expanded powers for bank holding companies to engage in securities underwriting and, possibly, real estate development and insurance. The moratorium imposed on banks to obtain authorization from regulators to enter these businesses will expire on March 1, 1988. It is not expected to be extended. Federal Reserve officials have indicated their intention to resume approval of bank applications to engage in limited securities activities, if legislation to amend Glass-Steagall restrictions is not progressing. Competition from foreign banks and securities firms and the entry of American securities firms and nonbank banks into traditional banking lines of business have increased pressures for reform.

The legislation that appears to have the best prospects for enactment is S.1886, co-sponsored by William Proxmire, Chairman of the Senate Banking Committee, and Senator Jake Garn, the ranking Republican member of the Committee. This bill is currently undergoing revisions, but should be voted on by the Committee before the moratorium expires. It would amend Glass-Steagall to allow bank holding companies to engage, through subsidiaries, in the underwriting and sale of municipal revenue bonds, commercial paper, and mortgage-backed securities, as well as to sponsor unit investment trusts and sell mutual funds. A so-called "firewall" will be required in order to avoid conflicts of interest and to insulate the bank from the operations of the securities subsidiary.

A much broader measure of financial reform is embodied in S.1905, which has the support of the Financial Services Council and is sponsored by Senator D'Amato (R-NY). This bill goes beyond S.1886 in that it would remove the barriers between banking and commerce. It would allow banks to engage in not only securities, real estate, and insurance activities, but also to enter any type of commercial (nonfinancial) business. Although some momentum could build for such far-reaching reform, prospects for enactment in 1988 or 1989 are rather slim, despite strong Administration support.

OUTLOOK FOR THE INTERNATIONAL ECONOMY

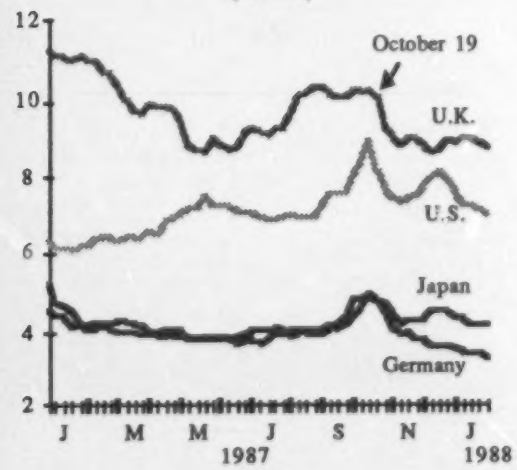
Growth in Major Industrial Countries Higher than Expected

The fall in the value of the dollar in late December and early January has reinforced the expansionary stance of monetary policy in those countries outside the United States that have intervened actively. The most important intervention has been undertaken by Japan, Germany, and the United Kingdom. Money growth was quite high in these countries during the first part of 1987, but had begun to decelerate somewhat during the third quarter of the year, except in Germany. Following the October stock-market crash, however, the central banks of most industrial countries moved quickly to lower interest rates.

At this stage, definitive data are unavailable as to what effect the combination of lower rates and currency intervention has had on the monetary aggregates. However, it is likely that money growth has accelerated once again in the past two months. If so, foreign monetary authorities are likely to favor some tightening over the next few months. We expect their ability to do so will be constrained by periodic bouts of weakness on the part of the dollar, as discussed later.

Statistics now available on real economic growth indicate that in Japan and the United Kingdom 1987 will turn out to have been stronger than we had earlier expected. Domestic demand in Japan has grown at very high rates, more than offsetting the drop in production resulting from lower export volume. For calendar 1987, real GDP is now estimated to have increased 3.5%, and a slightly higher rate is expected this year. In the United Kingdom, real growth in the third quarter of 1987 was over 7% at an annual rate, and an annual increase in real GDP of nearly 4% is now estimated. Investment spending has added to strength in consumer spending. During 1988, the U.K. growth rate should once again be higher than the industrial-country average, although somewhat below the very strong pace of 1987.

Eurodeposit Rates
(Percent)



Continental European countries continue to show relatively low growth. In Germany, domestic demand did increase in 1987, but overall real GDP growth is still expected to be in the 1.5-2.0% range, despite very low interest rates and fairly high rates of monetary expansion. The combination of sluggish export growth and efforts by the government to reduce its budget deficit have restrained the pace of growth, and only a modest rise is expected during 1988. French economic growth has slowed somewhat because of poor export performance and sluggish investment. Italy's economy has experienced a third year of fairly steady growth, led by domestic consumer spending. This is expected to slow in 1988 because of policy tightening to offset a deterioration in the balance of payments and the large budget deficit.

Last month, Canada and the United States signed a free-trade agreement. The Canadian economy benefitted in 1987 from a revival in commodity prices, a major increase in housing construction, and increased investment. We expect that, with stronger growth in the United States in 1988 and a continuation of capital spending by Canadian businesses, the economy will maintain a growth rate only slightly below last year's estimated 3.8%. The free-trade agreement should be favorable for capital formation by Canadian companies in some industries as they begin the process of producing for a North American market.

Inflation remains very low in Japan, Germany, and most other European countries. As the dollar stabilizes and then rises somewhat in 1989, however, the rapid rate of monetary growth of the past year may begin to translate into higher inflation. Virtually all of the major industrial countries are, therefore, expected to grow more slowly in 1989 as central banks seek to head off inflationary pressure and foreign trade growth slows.

World Trade Growth Dominated by Price Increases

In 1986, world trade measured by imports grew more rapidly on a nominal, or inflation-unadjusted, basis than in volume terms for the first time since 1980. In 1987, it appears that this trend continued-as import prices rose more than five times faster than the volume of imports. We expect that this trend of nominal increases exceeding volume increases will last through the forecast period, as the data in the accompanying table show.

In 1987, inflation rates worldwide generally increased. Commodity prices rose sharply, as energy prices jumped from their 1986 lows and non-energy commodity prices also recovered from their 1985 collapse. In 1988, price increases for imports are likely to increase by a smaller percentage. We expect energy prices for the year to remain little changed from their 1987 averages, while non-energy commodity prices will be hard-pressed to match their 1987 increases. Import price rises in 1989 will slow substantially from 1988 increases as the lower real economic growth in the industrial countries collectively leads to softening demand for world imports.

WORLD TRADE
(Imports, percent change)

	1985	1986	1987e	1988f	1989f
Volume	3.1	6.0	1.7	3.0	2.0
Nominal	1.8	8.7	10.7	8.7	3.6

We look for the volume of world trade to continue increasing through 1989, but for its growth to slow in 1989. Collectively, industrial-country real economic growth is forecast to increase in 1988 from 1987 levels before slowing in 1989, reflecting the effects of the U.S. recession in the second half of that year. Growth in the volume of world trade should reflect that growth pattern as the world's major industrial countries account for the great majority of world imports.

Bank Reserves Add to Uncertainty Over Developing-Country Debt

Continued weakness in prices for developing-country debt in the secondary market reflects in part uncertainty over not only the policies of the countries themselves, but also potential actions by commercial-bank creditors of these countries. Regional U.S. banks strengthened their reserves against developing-country debt during the final quarter of 1987, making it less likely that new financing would be available for heavily indebted countries. As more banks drop out of the process, the outlook for the financial position of a number of countries becomes increasingly uncertain. In the immediate future, Brazil, Argentina, and several smaller countries will be attempting to come to new arrangements with their creditors.

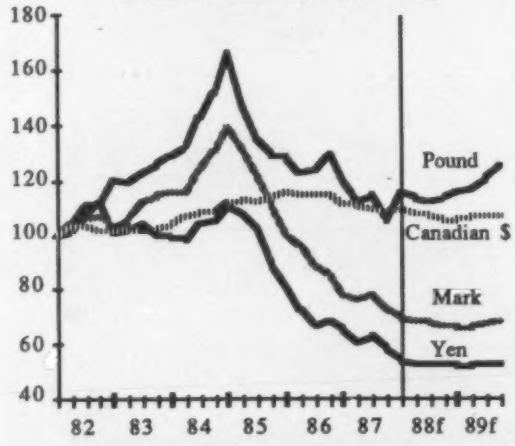
In the face of this uncertainty, discussion now centers on possible ways of reducing debt, including debt-to-equity swaps, debt buybacks, and, most recently, the proposal by Mexico to convert part of its bank debt to long-term bonds. The principal amount of these bonds would be collateralized by zero-coupon bonds purchased by the Mexican government from the U.S. Treasury. Essentially, this transaction is an attempt to reduce the face value of the debt toward its value in the secondary market, with the debtor being granted debt relief for part of the difference. At present, it appears that this transaction will serve primarily as an exit vehicle for smaller banks, with money-center banks not participating because of both the cost to them of the principal write-down and uncertainty surrounding the long-term outlook for the interest stream on the bonds.

It is expected that, because of the difficulty of raising new financing, schemes to reduce debt will spread in 1988 to an increasing number of countries. These may be patterned on the Mexican proposal but are likely to include further enhancements to make them more attractive to the largest creditor banks. In one way or another, however, banks will probably have to utilize at least a portion of the reserves established in 1987 during the course of 1988. If this is the case, banks with weak capital/asset ratios could come under pressure.

More Decline Ahead For the U.S. Dollar

The dollar continued its decline through the fourth quarter of 1987, as the foreign-exchange markets were concerned about U.S. economic policies in relation to those of other major industrial countries and the lack of substantial improvement in the U.S. trade deficit. Assuming no U.S. recession in 1988, we expect the dollar to trend downward during the year, even though there is a substantial contingent that believes that the dollar bottomed in January 1988 and will rise from those lows.

U.S. Dollar Against Selected Currencies
(Quarterly indices of the dollar against selected currencies, 1982:1=100)



We believe that the Federal Reserve would permit a more gradual, orderly depreciation of the dollar, in comparison to late 1987 when the dollar dropped like a rock on the foreign-exchange markets, and the U.S., German, and Japanese central banks initiated a coordinated intervention

program to prop up the dollar. Barring a sudden plunge in the dollar on the foreign-exchange markets, Federal Reserve policy during 1988 will be to foster a continuation of the current economic expansion. Thus, the Federal Reserve will resist increasing real interest rates, and the differential between U.S. real interest rates and those elsewhere should remain little changed. As the year progresses, the markets will likely pay increasing attention to the quarterly balance-of-payments releases, because the growing net-service deficit will keep the current-account deficit from shrinking as much as the trade deficit. Trade deficit releases will be interpreted for implications about the current-account deficit.

We look for the dollar generally to decline until late 1988/early 1989, when the U.S. economic slowdown will benefit the dollar. The dollar will depreciate most against the yen and the mark and less against the pound and the Canadian dollar. By the end of 1988, the dollar against the yen is forecast to be in the ¥120-¥125 range and against the mark in the DM1.54-DM1.57 range.

If the U.S. economy were to slow sharply to less than 1% or even contract for a short time during early 1988, we would look for increased support for the dollar on the foreign-exchange markets. Implications for a more pronounced improvement in the trade and current-account deficits, a lower inflation rate, and a deterioration in the relative position of many U.S. trading partners *vis-à-vis* the United States would benefit the dollar. A resumption of stronger growth would result in an evaporation of that support for the dollar.

U.S. Current-Account Improvement Slow

The continuing depreciation of the U.S. dollar in 1988 against most industrial-country currencies and many developing-country currencies will reinforce the general depreciation of the dollar since early 1985. It should lead to a substantial improvement in the U.S. merchandise-trade deficit. As the data in the table show, however, we expect that the decline in the U.S. current-account deficit will be considerably less.

U.S. CURRENT ACCOUNT
(Billions of U.S. dollars)

	1986	1987e	1988f	1989f
Trade balance	-144.3	-157.9	-135.0	-100.0
Exports	224.4	249.1	275.0	295.0
Imports	-368.7	-407.0	-410.0	-395.0
Service balance	18.6	3.9	-10.0	-15.0
Service exports	148.4	168.4	180.0	192.5
Service imports	-129.8	-164.5	-190.0	-207.5
Transfers balance	-15.7	-12.4	-13.0	-13.8
Official	-11.8	-8.9	-9.3	-9.8
Private	-3.9	-3.6	-3.8	-4.0
Current-account balance	-141.4	-166.5	-158.0	-128.8

We expect that the trade deficit peaked in 1987 and that it will decline during the 1988-89 period. The fall in the trade deficit results from relatively strong export growth in both years and a distinct slowdown in import growth in 1988 and an absolute decline in imports in 1989. The slight reduction in nominal export growth in 1988 to 10.4% from the 1987 rate reflects concerns that U.S. industry will be unable to meet the potential foreign demand for U.S. goods. Reports indicate that many firms prefer to sell in the domestic market and are unwilling to expand capacity because of concerns about the continuation of the current economic expansion and the future course of the international value of the U.S. dollar. After the trauma that many firms and industries endured during and after the 1981-82 recession, they are wary about subjecting themselves to a repeat.

We anticipate that the nominal import total for 1988 will be little changed from that of 1987. Although the U.S. economy is forecast to expand in real terms, we believe that the three-year depreciation of the dollar will really bite in 1988. Considerable import substitution will be evident. Firms exporting to the United States will become less and less able to absorb the increased costs resulting from the dollar's lower international value, and they will have to raise prices more in line with the actual depreciation. The forecast implies that imports on a real basis will actually decline 6-7% during the year. In 1989, we look for nominal imports to decline absolutely, and by a greater percentage on a real basis, reflecting the forecast U.S. recession beginning in the second half of 1989.

The more interesting result shown in the current-account forecast probably is that the decline in the trade deficit will be greater than that in the current-account deficit. In the third quarter of 1987, the service account posted a deficit for the first time in many years. The sharp drop in the net-service surplus for all of 1987 to $3.9 billion from $18.6 billion in 1986 and the change to a growing deficit in 1988 and 1989 will reduce the effect of the lower trade deficit on the current-account deficit. Increasing U.S. net indebtedness by approximately the value of the current-account deficit each year implies that this trend is one that will continue for some time.

The declining current-account deficit means that it is becoming less burdensome. For example, the forecast deficits for 1988 and 1989 are the equivalent of -3.3% and -2.5% of GNP, a decrease from 1987's -3.7%. Nevertheless, the United States will have to attract a net capital inflow to offset the anticipated current-account deficits, adding potential upward pressure on interest rates if the rest of the world proves to be less willing to finance our deficits.

MAJOR ECONOMIC INDICATORS

	QUARTERLY												4th QUARTER					
	1987				1988				1989					% Change		% Change		% Change
	I	II	III	IV	I	II	III	IV	I	II	III	IV	1987	'87/'86	1988	'88/'87	1989	'89/'88
		Actual							Forecast				Actual				Forecast	
GROSS NATIONAL PRODUCT (Billions of $, annual rate)	4377.7	4445.1	4524.0	4598.0	4660.1	4740.9	4837.1	4938.8	5017.8	5089.0	5120.9	5163.8	4598.0	7.2	4938.8	7.4	5163.8	4.6
% Change, annual rate	8.6	6.3	7.3	6.7	5.5	7.1	8.4	8.7	6.6	5.8	2.5	3.4						
REAL GNP (Billions of 1982 $, a.r.)	3772.2	3795.3	3835.9	3875.1	3889.6	3916.5	3952.2	3986.4	3996.3	3996.3	3966.0	3946.0	3875.1	3.8	3986.4	2.9	3946.0	-1.0
% Change, annual rate	4.4	2.5	4.3	4.2	1.5	2.8	3.7	3.5	1.0	0.0	-3.0	-2.0						
REAL FINAL DOMESTIC SALES (Billions of 1982 $, a.r.)	3859.7	3868.9	3949.8	3947.5	3979.6	3997.6	4019.4	4037.2	4034.6	4034.8	4013.8	3983.2	3947.5	1.3	4037.2	2.3	3983.2	-1.3
% Change, annual rate	-3.8	3.1	8.4	-0.2	3.3	1.8	2.2	1.8	-0.3	0.0	-2.1	-3.0						
REAL CHANGE IN INVENTORIES (Billions of 1982 $, a.r.)	47.6	39.0	24.6	58.3	10.0	6.0	9.0	16.0	20.0	12.0	-7.0	-2.0	58.3	N/A	16.0	N/A	-2.0	N/A
GNP DEFLATOR (1982=100)	116.1	117.1	117.9	118.7	119.8	121.1	122.4	123.9	125.6	127.3	129.1	130.9	118.7	3.3	123.9	4.4	130.9	5.6
% Change, annual rate	4.2	3.5	2.8	2.7	3.8	4.2	4.5	5.0	5.5	5.8	5.7	5.5						
CONSUMER PRICE INDEX (1967=100)	335.0	339.0	342.3	345.3	348.8	353.0	357.5	362.4	367.7	373.4	379.1	384.6	345.3	4.4	362.4	5.0	384.6	6.1
% Change, annual rate	5.3	4.9	3.9	3.6	4.1	4.9	5.2	5.6	6.0	6.3	6.2	6.0						
AUTO SALES (Millions, annual rate)	9.5	10.0	11.5	10.0	9.8	10.0	10.3	10.0	9.6	9.3	8.7	8.5	10.3*	-10.2	10.0*	-2.5	9.0*	-10.0
HOUSING STARTS (Millions, annual rate)	1.60	1.61	1.62	1.52	1.53	1.55	1.56	1.50	1.38	1.35	1.37	1.50	1.62*	-10.4	1.54*	-4.9	1.40*	-8.9
INDUSTRIAL PRODUCTION (1977=100)	126.9	128.2	130.9	133.0	133.8	134.7	136.2	137.7	138.0	137.5	135.4	133.8	133.0	5.6	137.7	3.6	133.8	-2.9
% Change, annual rate	3.1	4.3	8.7	6.4	2.3	2.7	4.6	4.7	0.7	-1.4	-5.9	-4.8						
NONFARM EMPLOYMENT (Millions)	101.1	101.7	102.3	103.3	103.9	104.6	105.3	106.0	106.5	106.8	106.8	106.6	103.3	2.9	106.0	2.6	106.6	0.6
UNEMPLOYMENT RATE, ALL WORKERS (Percent)	6.5	6.1	5.9	5.8	5.8	5.7	5.6	5.5	5.7	6.0	6.5	6.9	5.8	N/A	5.5	N/A	6.9	N/A
CORPORATE OPERATING PROFITS (Billions of $, annual rate)	294.0	296.8	314.9	308.0e	308.0	309.0	315.0	316.0	314.0	309.0	305.0	302.0	308.0	9.6	316.0	2.6	302.0	-4.4
% Change over year ago	2.1	5.1	10.0	9.6	4.8	4.1	0.0	2.6	1.9	0.0	-3.2	-4.4						
NET CASH FLOW (Billions of $, annual rate)	378.7	384.6	392.2	394.0e	395.0	397.0	402.0	407.0	402.0	400.0	396.0	393.0	394.0	4.6	407.0	3.3	393.0	-3.4
% Change over year ago	3.9	5.9	5.7	4.6	4.3	3.2	2.5	3.3	1.8	0.8	-1.5	-3.4						
MONETARY BASE (Billions of $, a.r.)	243.7	247.8	250.7	255.7	261.3	265.1	269.6	274.6	277.9	279.3	282.7	287.6	255.7	7.9	274.6	7.4	287.6	4.7
% Change, annual rate	11.8	7.0	4.7	8.2	9.0	6.0	7.0	7.5	5.0	2.0	5.0	7.0						

NOTE: All quarterly series are seasonally adjusted; % change, annual rate calculated from prior quarter; calculations based on unrounded data; a.r. = annual rate; e = estimate.

*Annual total; N/A = Not applicable.